

THE KIPLINGER WASHINGTON LETTER

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THE KIPLINGER WASHINGTON EDITORS

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Dear Client:

Washington, Oct. 3, 1975.

STAT

What you can expect from Congress...and Ford...in coming months:
Disagreement on nearly everything, the big issues and the small. A continuing clash of wills...refusal to accept each other's viewpoints. Stalemate at times. Stubbornness. Then finally, political compromise.

In the meantime, you have to try to make plans, based on actions that Congress and Ford will take. A great many basic business decisions depend heavily on them...on what they agree to when the bickering stops.

This week we will attempt to cut through the fog in Washington and tell you what we think you may count on in the weeks & months ahead.

Example: The Democrats want to jazz up the economy...push hard for even heavier gov't spending to sop up unemployment, via public jobs. Also put a lid on interest rates. Ease the shortage of funds available for direct gov't loans to smaller firms having trouble raising capital.

Continue the income tax cuts...and perhaps cut them even more...for another full year. Their aim is to build stronger purchasing power.

Ford will fight most of their program. He believes the economy is coming back fast enough and needs little or no further stimulation.

Hence, more vetoes are certain until he gets Democratic plans whittled down to acceptable proportions...lest they spur more inflation. But the tax cuts are inevitable...a "necessity" before elections.

Employers will have to pay HIGHER unemployment taxes. The rate and the wage base will be raised...considerably...but effective in 1977. So full rate will go up .15% to 3.35%...the base from \$4200 up to \$6000. And Ford supports this plan. Also note that state taxes are going up.

But Congress won't establish any MINIMUM standards for benefits.

Minimum wage will NOT go higher than the present law prescribes. The unions want a \$3 floor, but are not likely to get it any time soon. As matters stand, the minimum jumps to \$2.30 an hour in Jan., from \$2.10.

No progress on energy is likely by Nov. 15, when present controls on domestic oil are due to expire. Technically, prices could then rise.

Compromise on a long-range program is remote. Each side insists that the other is "playing politics"...whereas BOTH sides are playing it. The Democrats think the voters want controls kept on, and won't give in. Ford thinks the country prefers a long-range solution, so he stands pat.

We look for a "temporary" controls law, a stopgap, after Nov. 15, to hold things about as now. Neither side wants a swift boost in prices.

The truth is several Presidents and Congresses have marked time, and any real solutions to our oil difficulties are still many years off.

On general wage-price controls to stem inflation, not a chance. We advise business to ignore rumors that controls are coming this winter. Not true...we check the rumors regularly in Congress and the White House.

Congress is going to ease job safety & health rules just a bit.
On-site consultations will be OK'd for any firms requesting them,
plus assurances that they won't get hit with citation right off the bat.
Congress is studying amendments to the Occupational Safety & Health Act
to separate OSHA's consultation services from its enforcement operation.

All firms will be eligible. However, smalls will get priority.
But Congress WON'T free smalls altogether from OSHA jurisdiction.

Natural gas prices will be partially decontrolled. A new law
will try to spur production by letting oil & gas companies charge more.

Strip mining: New efforts to pass controls will be knocked off.

Clean air: A bill to let big cities impose gasoline rationing
or to require emission devices on older cars to clean up air won't pass.

A gov't corporation to develop gas & oil resources on public land
is likely next year. But Ford's 100-billion-dollar energy plan is dead.

Gun control: No chance for a ban on cheap handguns or licensing
of gun owners. Attempts on Ford's life still haven't changed the odds.

Criminal laws: A sweeping overhaul of the federal criminal code
is causing such an uproar that Congress may not finish it up for years.

CIA, FBI, IRS: The exposure of some of their illegal activities
will lead to much closer control by Congress...new machinery to keep tabs
on money being spent on intelligence gathering. No more "blank checks."

Lobbyists: They will block congressional moves to rein them in.

Antitrust: State attys. general will be allowed to sue & collect
treble damages from antitrust violators on behalf of all state residents.
And Justice Dep't will get more power to subpoena firms and individuals.

Amnesty for Vietnam deserters and others: No action coming soon.

Mideast peace: Congress will approve U.S. monitors in the Sinai.

Highways: States have a good chance to share federal gas taxes.
Congress is inclined to give them 1¢ of the 4¢-a-gallon levy on gasoline.
They'll be able to use the money for road repair, highways, mass transit.
(Chances to further open highway trust fund for mass transit look slim.)

Railroads: Conrail will be approved by Congress in November...
new basic freight system to replace bankrupt Northeast, Midwest lines.

Postal Service: Congress won't take it over again THIS year...
but probably will have to in time. Upset about constantly rising rates.

As for rural post offices, the PS wants to close over 12,000...
but people are flooding Congress with protests, so PS will drop the idea.

Allowing gov't workers to strike: It may be proposed in a bill
on collective bargaining by federal employes. But Congress will nix it.
Recent strikes by police, fire fighters, etc., helped kill off the plan.

Elections: Voter registration by postcard will be approved...
but Ford will be inclined to veto, and chances are he can make it stick.

N.Y. City: Congress will vote to guarantee obligations of city,
protect the municipal bond market. It's worried that funds will dry up.

Tax reform: Do not underestimate the importance of it to you.
Congress has been sitting on this for years but it DOES intend to act...
probably next year. All sorts of things included: Personal deductions,
business expenses, tax shelters and so forth. It will affect EVERYONE.

There are months of squabbling still ahead on the fine points,
but we will give you a rundown on the prospects in an upcoming Letter.

Food prices will continue to rise, but not much...fall & winter.
The worst of the price bulge is over. Meat and poultry will level off.
Chicken, plentiful...so lower prices. Turkey is headed higher.
Beef...better cuts will stay high, but hamburger will come down.
Pork...expensive until next summer. Butter, cheese, milk...up.
Fruit will be reasonable...apples, citrus, grapes, pears, etc.
Potatoes are headed higher. But rice will ease...a record crop.

Equal-time ruling on TV political coverage: It helps incumbents at ALL levels of gov't...national, state, county and local. Old ruling was that TV could not show news conferences or other newsworthy events which featured a candidate for an office without offering equal TV time to other candidates for the office. Now FCC has reversed this ruling.

TV networks' fall programs: The advertisers are disappointed. By & large shows haven't taken off...public sticking with old favorites.

Fall schedules will be rejigged considerably. The TV ratings of networks are close. So disappointing shows will be dropped quickly. Trend is to invest in new ideas instead of trying to pep up poorer shows.

Public TV is taking hold... a number of new series and programs. Now up to 250 stations...starting to give regular TV a run for its money.

Weather for Oct...perhaps MORE rain, says Weather Serv. In Gulf, all along the E. Coast, Calif., Ariz., Nev. Warmer in most of the West, cooler in Southeast and Gulf states. Rest of U.S., normal temperatures.

Studded tires are on the way out: Once touted as a major help to motorists in stopping autos on ice. Now gov't questions their value. It says they aren't any safer than regular tires and tear up the roads. So it will encourage states to ban the studs...10 already have done this. Most of the others have restricted use of studded tires to winter months.

Guide to college scholarships called "Need a Lift?" is available from American Legion, PO Box 1055, Indianapolis, Ind. 46206. Cost, 50¢.

Teaching economics in the schools: The U.S. Chamber of Commerce has kit with filmstrips, cassette recordings and texts on various aspects of economics. The Chamber would like business people to underwrite kits for local secondary schools. "Economics for Young Americans." Write to: A-V Dep't, U.S. Chamber of Commerce, 1615 H St., N.W., Wash., D.C. 20062. Cost is \$50 for single kits and \$35 per kit for orders of two or more.

Shipyards: U.S. yards are not doing well...ship orders are down, especially for tankers. Upturn must await renewed growth in world trade.

Books: Sales are getting better but publishing costs are rising. Hard and soft-cover books both will be up 5% to 10% for Christmas season.

Local newspaper ads on real estate: Fed. Trade is watching them. It says that many do not accurately show the annual rates for mortgages.

Unusual Bicentennial offer: The U.S. Capitol Historical Society has a fine historical film available for schools and fraternal groups... "Washington: City Out Of Wilderness." Also a book about the Capitol... "We, the People" for \$2. Both from the Society, 200 Maryland Ave., N.E., Wash., D.C. 20515. Next year it is planning a spectacular presentation in sound and light at the Capitol for Bicentennial visitors. If you care to make a contribution of \$200 or more to the Society, you will be sent a specially mounted block of the original sandstone used in the Capitol when it was built in the 1790s. (Salvaged when East Front was redone.)

Wheat and corn to Russia: An "intent" to buy 5 to 7 million tons each year for the next five years will probably be agreed to by the Reds. Plus an option to buy more if we have it to sell. Won't run prices up, gov't says. In fact, it maintains that this will help spread out demand month to month. So it helps Ford out of a jam with unions and consumers.

Oil for grain: No...not straight barter. A separate agreement on oil, maybe. But anything meaningful will take much time to work out.

Minerals: A long-range danger of shortages. Such essentials as zinc, oil, uranium, mica-sheet, graphite, asbestos, silver, sulfur, gypsum, and some of the alloying minerals. Crippling to many industries.

An "economic stockpile" is now being talked within the gov't... to assure supplies and prevent price-gouging. Only at the study stage, with hearings first by a gov't commission. We shall watch and report.

Supreme Court faces a heavy schedule when it resumes this month. Tests of the many new laws passed by Congress are boosting the work load.

Federal elections: The new law limiting campaign contributions is under attack...probably will be decided before primaries next year.

Death penalty: Is it constitutional...for murder or any offense?

Wage-hour law: Can Congress make the states and cities obey it in arrangements with their own employes? Or is that stretching too far?

Antipollution: In states where the federal gov't has facilities which create more pollution, is a control permit needed...as for others?

Union seniority rules: Are both management and the union liable when the rule is used to discriminate against minorities on hiring etc?

Telex and IBM: Whether IBM's price cuts deliberately hurt Telex.

Gasoline stations: Does manager of a distributor-owned station have to give trading stamps and sell only products that are "approved"?

Lawyers' bar association fees: When lawyers won't pay their dues to their state bar associations, can they be prevented from practicing?

Overtime pay for women: Does a state law that requires overtime to be paid to women discriminate against men...under certain conditions?

Drugstores: Does a state law that prevents advertising prices of prescription drugs deprive buyers of their right to compare prices?

Plus many other issues that we shall keep an eye on for you.

Politics, 1976 elections: A woman for VP is now being talked among some of the new Democratic strategists...as a good vote-getter. Controversial. Many old-line pros think it's a "dangerous" suggestion that might backfire, but the new liberal leaders are getting interested. And they're the spark plugs in the party...they will run the convention.

The huge number of Democratic contenders to become President:

They run for the usual reasons: Prestige. "Presidential fever." A ploy to gain the VP spot. Paving the way to get the 1980 nomination.

And they have a new incentive: The recent campaign spending law gives public money to candidates for part of their expenses in primaries, and the gov't will pick up ALL campaign costs for the eventual nominee. Means candidates with limited means need not worry as much about money.

Yours very truly,


Austin Kiplinger
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